

U.S. EPA Natural Gas STAR

Methane Challenge Program

Annual Implementation Workshop
November 17, 2015



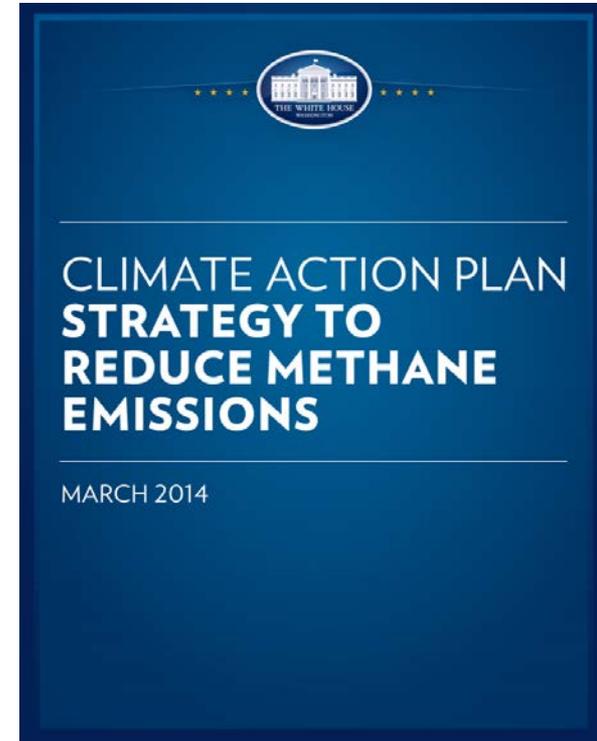
Agenda

- Background
- Proposed Program Structure and Commitment Options
- Tracking Progress and Recognizing Partners
- Supplemental Technical Information
- Next Steps

Background

Background

- **July 2015** – EPA released Methane Challenge proposal for stakeholder feedback
- Aims to create a new mechanism through which oil and gas companies can make and track ambitious voluntary commitments to reduce methane emissions, in support of
 - White House *Strategy to Reduce Methane Emissions* (March 2014)
 - Administration goal to cut methane emissions from the oil and gas sector by 40-45 percent from 2012 levels by 2025 (January 2015)
- **October & November 2015** – EPA released draft supplementary technical information, Partnership Agreement and Implementation Plan for comment
 - Stakeholder feedback was due November 13



Relationship to Natural Gas STAR and Previously Proposed Gas STAR Gold

- **Methane Challenge expands Natural Gas STAR**
 - Methane Challenge is more specific, ambitious, and transparent than Natural Gas STAR, under which companies make general commitments and track progress at the program level, not the company level
 - Transparent reporting through Subpart W of the Greenhouse Gas Reporting Program (with supplemental, voluntary reporting)
 - Company-level recognition of commitments and progress
- **Methane Challenge replaces the facility-based approach of the Gas STAR Gold proposal**
 - 2014 Gas STAR Gold proposal outlined a certification-type program for facilities
 - Stakeholder feedback emphasized need for greater flexibility
 - Methane Challenge Program seeks to achieve a balance of ambitious voluntary commitments with appropriate flexibility
- **Natural Gas STAR Program will continue**

Methane Challenge Program Goals

1. Encourage and support ambitious industry commitments to reduce methane emissions
2. Offer flexible mechanisms to achieve commitments
3. Promote innovative approaches to emissions measurement, monitoring and reduction technologies and practices
4. Provide transparency for achieving commitments through robust annual data reporting that utilizes EPA's Greenhouse Gas Reporting Program (GHGRP) to the maximum extent
5. Recognize progress of companies that have been proactive in reducing methane emissions
6. Recognize improved environmental performance by quantifying emissions and reductions

Proposed Program Structure and Commitment Options

Proposed Methane Challenge Program Structure

- **Company commitments should:**
 - Be ambitious and achieve meaningful methane reductions across company operations;
 - Be transparent in tracking progress; and
 - Demonstrate continuous improvement over time
- **To enhance flexibility, EPA proposes two commitment options:**
 - Best Management Practice (BMP) Commitment
 - One Future Emissions Intensity Commitment
- **Companies can select the option that best fits with their capabilities and corporate priorities to reduce methane emissions**
- **Program would cover onshore oil production and whole natural gas value chain from onshore production through distribution**

Best Management Practice (BMP) Commitment Option

- **Commitment:** Company-wide implementation of best management practices (BMPs) to reduce methane emissions from key sources by a future target date
 - Partner companies would commit to at least one emission source
 - Target date to be selected by the Partner company (maximum of 5 years)
 - Proposed commitment level varies by sector and aims to cover a significant portion of operations appropriate for widespread implementation of best practices
- **Scope:** EPA has identified key emission sources based on their contribution to national emissions and stakeholder interest
 - Proposal outlines multiple BMPs, as appropriate, to maximize flexibility in achieving commitments; companies select BMPs suited to their operations
 - EPA to consider adding new, innovative mitigation activities to BMPs in the future

One Future Emissions Intensity Commitment Option

- **Commitment:** Companies commit to sector-specific intensity targets
 - Intensity targets represent emissions per volume produced or volume of throughput
 - Targets add up to a 1% or less “leakage rate” along the value chain by 2025
- **Scope:** Companies selecting this option would engage directly with One Future
 - Determine the organizational structure or level at which commitments will be made
 - Establish specific company-wide commitments
 - Companies can choose mix of mitigation options to achieve targets



Proposed Steps for Committing to Action Under the Methane Challenge Program

Join the Program

Announce Commitments

Submit Implementation Plan

BMP Commitment

Sign Partnership Agreement with EPA covering source commitments, timing and agreement to submit data to Methane Challenge program

Company and commitments listed on Methane Challenge program website

Submit implementation plan to EPA, with key milestones, six (6) months after joining program

One Future (OF) Commitment

Sign MOU with OF covering commitments and timing;
Sign Partnership Agreement with EPA agreeing to submit data to Methane Challenge Program

Company listed on Methane Challenge website with link to commitments, as listed on OF website

Submit implementation plan to OF and EPA, with key milestones, six (6) months after joining program

Key Steps for Reporting and Recognizing Progress

Establish Baseline

Annual Reporting

Annual Progress Tracking

Data Transparency

BMP Commitment

Not applicable

Submit voluntary supplementary data via Methane Challenge reporting mechanism (covered sources only)

Source-specific data (activity and emissions) rolled up at company level and provided on Methane Challenge program website

One Future Commitment

Not applicable

Submit voluntary supplementary data via Methane Challenge reporting mechanism

Company listing on Methane Challenge website links to company emissions intensity progress on One Future website

EPA envisions publicly releasing data voluntarily submitted to the Methane Challenge Program. In addition, EPA would publish data submitted to the GHGRP as part of reporting under 40 CFR Part 98 that has not been determined to be confidential business information per GHGRP rulemakings.



Tracking Progress and Recognizing Partners

Transparency is a Principal Goal



- Partner companies would report on mitigation actions that contribute to their commitments through a public platform managed by EPA
- EPA aims to minimize the reporting burden, to the extent possible, so partner companies can focus time and resources on the implementation of methane-reducing activities



- Subpart W of the GHGRP already collects most of the information that would be relevant to tracking Program commitments at the company level
- EPA proposes to rely on GHGRP Subpart W data, plus any needed supplemental data, to track progress in meeting commitments under the Methane Challenge Program

Supplemental Data

- EPA anticipates that participating companies would need to provide some supplementary, voluntarily supplied data to comprehensively track progress towards their Methane Challenge commitments, including:
 - Facilities that do not report to the GHGRP because their emissions are less than the GHGRP reporting threshold of 25,000 metric tons CO₂e
 - Sources or mitigation activities not currently reported to the GHGRP
- EPA plans to provide a mechanism for companies to voluntarily report data elements
- EPA has released a *Supplemental Technical Information* document that includes proposed supplemental data to be collected

Continuous Improvement is a Principal Goal

- EPA will strive to promote continuous improvement, and partner companies are encouraged to expand their commitments over time.
- EPA is interested in potential mechanisms to facilitate continuous improvements in the Program to address the greatest emission reduction opportunities and contribute to the Administration's 2025 methane reduction target
 - Program would seek to incorporate new and innovative BMPs, as well as methodologies for monitoring and measuring progress
 - EPA has sought feedback on how to encourage companies to continue expanding the scope of their commitments and/or undertake actions that result in performance that exceeds their commitments.

Partner Recognition and Benefits

- Proposed Program provides companies with the opportunity to showcase systematic and comprehensive actions to reduce methane emissions
 - Both commitment options suitable for companies at different stages of progress in implementing mitigation actions
- Implementing BMPs and mitigation activities reduces operational risk, increases efficiency, and demonstrates company concern for the environment
- Partners would be recognized as leaders in demonstrating action to minimize methane emissions in the United States.
- EPA requested feedback on potential recognition incentives
 - E.g. awards for outstanding performance in reducing emissions and/or achieving commitment goals, for example by setting aggressive timelines for completing a significant amount of mitigation actions.

Next Steps

Feedback and Next Steps

- EPA is reviewing feedback received and plans to finalize the Methane Challenge Program framework by the end of 2015
- Launch event with founding partners planned for early 2016 (details TBA)
- Proposal documents and new updates can be found on the Methane Challenge page of the Natural Gas STAR website:
<http://www3.epa.gov/gasstar/methanechallenge/index.html>
- EPA encourages continued engagement from companies interested in joining the Methane Challenge Program